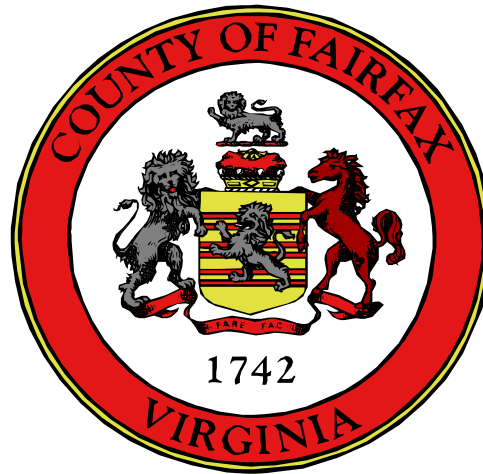


INTERNAL AUDIT REPORT

REVIEW OF ONLINE TIME AND ATTENDANCE



Fairfax County Internal Audit Office

**FAIRFAX COUNTY, VIRGINIA
INTERNAL AUDIT OFFICE
M E M O R A N D U M**

TO: Anthony H. Griffin
County Executive

DATE: May 4, 2000

FROM: Ronald A. Coen, Director
Internal Audit Office

SUBJECT: Report on the *“Review of Online Time and Attendance”*

This is a report on the *“Review of Online Time and Attendance”*. It was performed as part of our FY2000 Annual Audit Plan.

The findings and recommendations of this audit were discussed with the Community and Recreation Department and Department of Human Resources. We have reached agreement on all of the recommendations and I will follow up periodically until implementation is complete. Their responses are incorporated into the report and the full response is attached at the end of the report. After your review and approval, we will release the report to the Board of Supervisors.

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Introduction

The Internal Audit Office assisted the Payroll Division, of the Department of Human Resources, and the Department of Information Technology, in the initial design, implementation, and testing of the On-Line Time and Attendance (T&A) system in 1997. Our objectives were to ensure that the On-Line T&A system retains appropriate internal controls, is cost effective, and security is maintained over access to time entry and personnel data.

In March 1998, the Internal Audit Office reviewed the controls on the new On-line T&A process. This review was performed after a pilot program was conducted on the On-line T&A system. This pilot program consisted of eight departments that were involved in field testing and fine-tuning of the system. The departments involved represented 46 percent of all County employees, with various work schedules including projects and different types of hours. The results of this six-month pilot program were very favorable.

We reported the following observations from our 1998 review:

- The system has a great deal of flexibility for departments
- The accuracy of time and attendance reporting depends heavily on first line supervisory review
- Security is effective in the new system
- Departments have the ability to segregate sections or shifts into time groups
- Employees may only view and input their own time data
- There are risks that changes can be made to employee time after supervisory review/approval and before transmission. These concerns were addressed by building a management trail into the system to document each instance that a time record is updated. The system logs the user ID, date, and time of the last update performed to each time record.

The County's On-line T&A system was implemented in County departments through early 1999. Currently, all County departments are actively using the system.

Purpose and Scope

This audit was performed as part of our FY 2000 Long-Range Audit Plan. Our overall objective is to assess the completeness and accuracy of reported data and to evaluate the security of the On-Line T&A process. This is a post-implementation review of the On-Line T&A system, which focuses on internal controls implemented and system security surrounding personnel data. This audit is not a review of the entire payroll/personnel application.

We selected a sample of four departments (Department of Information Technology, Department of Tax Administration, Fire & Rescue Department, and Community & Recreation Services) to review the users' concerns and the controls implemented at the department level. We also verified the status of the observations from our 1998 review of the On-Line T&A system. This audit was conducted in accordance with generally accepted government auditing standards.

Executive Summary

In our opinion, the On-Line T&A system is functioning as designed. We found no major control weaknesses. The implementation process has been very successful.

The On-Line T&A process is individually customized at the department level. Each department designates whom they want to assign with timekeeper access level or supervisor access level based on the needs of the department and recommendations from the Department of Human Resources. During the implementation phase, the Department of Human Resources worked with each department to plan the details of systems security, access and user training. The Department of Human Resources also performed quality control reviews of all departments after implementation. This made the implementation process more efficient and the conversion from paper time sheets to on-line time more effective.

However, there are two non-system control issues that involve manual/supervisory circumstances. First, the departments reviewed for this audit are not clear as to the requirements for the T&A reconciliation and have not been performing this task. The Department of Human Resources issued a guideline on the reconciliation process in July 1995. This guideline includes step-by-step instructions on how departments should perform the T&A reconciliation. In addition, the reconciliation process is mentioned in the Personnel/Payroll Policy and Procedure Memo No. 8, dated August 25, 1990.

The second concern is with the Leisure Enterprise Division, of Community Recreation Services. The Leisure Enterprise Division needs to reevaluate the responsibilities of the assigned timekeepers and implement a process to review the accuracy of data. Timekeepers perform the functions of entering and reviewing on-line time. These functions should be performed by separate individuals. The separation of duties would reduce the opportunities to both perpetrate and conceal unauthorized activities. This can be accomplished by assigning different people the responsibilities of recording transactions and authorizing transactions.

We recommend the Department of Human Resources update the Personnel/Payroll Policy and Procedure Memo No. 8 to include On-Line T&A and detail requirements of the T&A reconciliation. Also, Leisure Enterprise Division should separate the functions of data entry and review of on-line time.

Comments and Recommendations

1. The four departments, in our audit sample, are not performing the T&A reconciliation to account for the completeness of employees' time processed.

The Payroll Contacts, in the four departments reviewed, are not aware of the procedures to perform the T&A reconciliation. They are familiar with some payroll reports but did not know that one of the purposes of the reports was to be used in the reconciliation.

The Department of Human Resources has published a *Time and Attendance Procedures and Controls, Reconciliation Guidelines* in July 1995. This guideline was given to departments to assist them in the T&A reconciliation process. During the initial training/implementation and quality control review of the On-line T&A, Human Resources emphasized that departments should continue performing this reconciliation. T&A reconciliation process requires departments to compare the total hours and total employees on their "PRISM Agency Time Summary" report to the total hours and total employees that appear on the Transaction Holding File Listing. The Agency Time Summary report is generated from data entered by the departments and the Transaction Holding File Listing is generated after payroll processing. Any differences should be reconciled to supporting documents and the Correction Posting report from Human Resources. The objective of the reconciliation process is to improve payroll accuracy and to catch errors/adjustments made during the Payroll Batch Balance & Edit process.

When the T&A reconciliation is not performed, the department loses a control that can detect errors that were made during data entry and/or corrections made by Human Resources during the Payroll Batch Balance & Edit process. For example, pay adjustments initiated by the department or by Human Resources could cause the total hours processed to be different from total hours submitted by the departments for a given biweekly period. Therefore, the departments time and attendance submission will not match the actual hours paid.

The T&A reconciliation process was mentioned as item 16 on the Personnel/Payroll Policies and Procedures Memo No. 8. It stated that departments should perform the reconciliation on a "periodic basis". In addition, Memo No. 8 was created in 1990, which was prior to On-line T&A.

Recommendation

We recommend the Department of Human Resources update the Procedural Memorandum No. 8 and expand the reconciliation procedure to include On-line T&A. There should be specific requirements for departments to perform the T&A reconciliation each pay period. The Procedural Memorandum, along with the Reconciliation Guidelines, will provide the departments with the necessary information to perform the T&A reconciliation properly.

Department Response

The Department of Human Resources concurs with the draft audit report findings and recommendations. The report is thorough, objective and provides useful documentation for the ONLINE TIME System. We appreciated the time and effort the auditors spent learning the system at a detail level.

DHR will revise and reissue Personnel and Payroll Policies and Procedures Memorandum Number 8, on Time and Attendance Reporting to reflect the ONLINE TIME System. In addition, we will update and distribute the guidelines for the biweekly time and attendance reconciliation that agencies are required to perform.

2. Limited term employees' time, within Leisure Enterprise Division of Community & Recreation Services, are not reviewed by an individual independent of the person entering the data.

The timekeepers for Leisure Enterprise Division are responsible for entering and making sure that time is accurate and complete for limited term employees. They use the sign-in sheets from the field sites as source documents.

For effective control, two separate individuals should perform the functions of entering time data and reviewing time data. The timekeepers should enter the time data, perform a completeness review of the time data, and "lock" each time record. The payroll contact or an individual independent of the timekeeper should be the next person to perform an accuracy review and submit the time data for processing.

This division of Community & Recreation Services allows the timekeepers to both enter and review T&A data, therefore reducing accuracy and controls over recorded data. Timekeepers are the last people to review and/or make changes to the time data prior to the agency payroll contact's transmission of the time data. The payroll contact cannot compare the time data on-line to the source documents (sign-in sheets) because the source documents remain with the Division timekeeper. The limited term employees do not have access to enter their own time.

Recommendation

We recommend Leisure Enterprise Division assign a person, independent of the timekeeper, to perform a final review of all time groups before submitting time for processing. This review should include a comparison of all sign-in sheets to the recorded time and should be performed for every pay period. In addition, the responsibilities of the timekeeper and the reviewer should be clearly defined.

Department Response

The Department of Community and Recreation Services concur with the recommendation. An independent timekeeper, payroll staff from the Department of Administration, Human Resource Division, will perform a final review of all the time groups in the Leisure Enterprise Division. The review includes comparing the hard copy time sheets with on-line time.